

STATE OF MICHIGAN  
DEPARTMENT OF LABOR & ECONOMIC GROWTH  
OFFICE OF FINANCIAL AND INSURANCE SERVICES

Before the Commissioner of the Office of Financial and Insurance Services

In the matter of:

Michael J. Morse  
2180 44<sup>th</sup> Street  
Suite 202  
Grand Rapids, Michigan 49508

Enforcement Case No. 07-4928

Respondent

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Issued and entered,  
on 8 March 2007  
by Frances K. Wallace,  
Chief Deputy Commissioner

CONSENT ORDER

I.  
BACKGROUND

Private Mortgage Wholesale, Inc. is a Michigan domiciled corporation, organized under the laws of the state of Michigan, that has made application for licensure as a mortgage broker under the Mortgage Brokers, Lenders, and Servicers Licensing Act ("MBLSLA"), Act No. 173 of 1987, as amended, MCL 445.1651 *et seq.* Michael J. Morse (Respondent) is the Chief Executive Officer (CEO), Director, and sole shareholder of Private Mortgage Wholesale, Inc. Respondent is not presently licensed by the Office of Financial and Insurance Services ("OFIS") pursuant to the MBLSLA or any other consumer finance statute regulated by OFIS. In reviewing the past practices of Respondent, OFIS staff determined that Respondent violated the MBLSLA and the Secondary Mortgage Loan Act (SMLA), 1981 PA 125, MCL 493.51 *et seq.*, by transferring of his membership interests in Great Lakes Mortgage

Company, L.L.C. (Great Lakes Mortgage). OFIS and Respondent have now conferred for purposes of resolving this matter and determined to settle this matter pursuant to the terms set forth below.

## II. FINDINGS OF FACT AND CONCLUSIONS OF LAW

1. Private Mortgage Wholesale, Inc. has made application for a mortgage broker license under the MBLSLA. Respondent is the CEO, Director, and sole shareholder of Private Mortgage Wholesale, Inc.
2. The Commissioner of OFIS has jurisdiction and authority to adopt and issue this Consent Order, pursuant to the Michigan Administrative Procedures Act ("MAPA"), MCL 24.201 *et seq.*, the MBLSLA, and the SMLA.
3. Respondent was a member of Great Lakes Mortgage. Respondent owned 50% of the membership interests in Great Lakes Mortgage.
4. Great Lakes Mortgage was licensed with OFIS as a mortgage broker and lender pursuant to the MBLSLA, and registered with OFIS as a secondary mortgage broker and lender pursuant to the SMLA.
5. On or about September 29, 2006, a Notice of Opportunity to Show Compliance ("NOSC") was issued by OFIS to Great Lakes Mortgage, Enforcement Case No. 05-3882, pursuant to the provisions of the MBLSLA and SMLA.
6. The NOSC contained allegations that Great Lakes Mortgage violated the MBLSLA and SMLA and set forth the applicable laws and penalties that could be taken against Great Lakes Mortgage.

7. Respondent did not have an opportunity to respond to the NOSC since he had sold his membership interests, in January of 2006, before the NOSC was issued.

8. OFIS revoked Great Lakes Mortgage's mortgage broker and lender license and secondary mortgage broker and lender registration on January 23, 2007.

9. By selling his membership interests in Great Lakes Mortgage, Respondent transferred Great Lakes Mortgage's mortgage broker and lender license and secondary mortgage broker and lender registration. The transfer of Great Lakes Mortgage's mortgage broker and lender license and secondary mortgage broker and lender registration occurred without the consent of the Commissioner.

10. Section 9 of the MBLSLA, MCL 445.1659, states, "A license shall not be transferred or assigned without the consent of the commissioner. The sale, transfer, assignment, or conveyance of more than 25% of the outstanding voting stock of a licensee which is a corporation, or more than 25% of the interest in a licensee which is a partnership or other unincorporated association, shall be considered to be a transfer of the license. A registration shall not be transferred or assigned."

11. Section 13 of the SMLA, MCL 493.63, states, "A license or registration shall not be transferred or assigned without the consent of the commissioner." Further, "The sale, transfer, assignment, or conveyance of more than 25% of the outstanding voting stock of a licensee or registrant which is a corporation, or more than 25% of the interest in a licensee or registrant which is a partnership or other unincorporated legal entity, shall be considered to be a transfer of the license or registration."

12. Respondent violated Section 9 of the MBLSLA, MCL 445.1659, by transferring Great Lakes Mortgage's mortgage broker and lender license without the consent of the Commissioner.

13. Respondent violated Section 13 of the SMLA, MCL 493.63, by transferring Great Lakes Mortgage's secondary mortgage broker and lender registration without the consent of the Commissioner.

### **III. ORDER**

It is ORDERED that:

1. Respondent shall cease and desist violating Section 9 of the MBLSLA and Section 13 of the SMLA.

2. Respondent shall pay to OFIS, a civil fine in the amount of \$1,000.00. The fine shall be paid within 30 days of the date of entry of this Order.

3. Respondent, as CEO, Director, and sole shareholder of Private Mortgage Wholesale, Inc., shall not utilize independent contractors for mortgage loan origination unless they are: 1) licensed or registered under the MBLSLA; 2) exempted from the MBLSLA under Section 25; or 3) licensed as a class I licensee under the Consumer Financial Services Act.

4. Respondent, as CEO, Director, and sole shareholder of Private Mortgage Wholesale, Inc., shall immediately designate a compliance officer for Private Mortgage Wholesale, Inc., and provide written notification to OFIS of the compliance officer's name and business address, to ensure that Private Mortgage Wholesale, Inc. is in compliance with all applicable state and federal laws. The compliance officer will conduct reviews, not less than quarterly, of a sample of files for closed loans and rejected loan applications and assure compliance with all

relevant federal and state laws. Respondent shall maintain written reports of the results of its file reviews. The written reports shall be maintained as required by Section 21(2) of the MBLSLA. Respondent's written notice designating a compliance officer shall accompany his payment of a civil fine as provided for in Paragraph 2 of this Order. Respondent, as CEO, Director, and sole shareholder of Private Mortgage Wholesale, Inc., shall notify OFIS of any change in designation of the compliance officer within 30 days of such re-designation.

5. Respondent, as CEO, Director, and sole shareholder of Private Mortgage Wholesale, Inc., shall create and maintain a loan log of each application taken by Private Mortgage Wholesale, Inc. At a minimum, the loan log shall contain the following information: the borrower name; subject property address; loan application date; loan amount; loan status, such as closed, denied, withdrawn, or rescinded; lien position, such as first, second, or subsequent; loan officer name; originating branch office, if applicable; closing date; whether the loan is purchase money or refinance; whether the subject property is owner occupied, investment property, or second home; who the loan was sold or assigned to, if applicable; loan number, or other unique identifier; and the originating broker, if applicable.

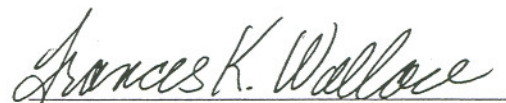
6. Within 90 days of the entry of the attached Order, Respondent, as CEO, Director, and sole shareholder of Private Mortgage Wholesale, Inc., shall develop and maintain a comprehensive written employee Policy and Procedures Manual clearly delineating the mortgage loan process and all statutes, ordinances, rules, and regulations that govern the activity of Private Mortgage Wholesale, Inc.'s employees.

7. Respondent, as CEO, Director, and sole shareholder of Private Mortgage Wholesale, Inc., shall implement a training program to ensure that all loan officers, loan processors, and loan administrative staff receive training in all aspects of the brokering,

originating, and closing of mortgage loans. The training program will include education on all applicable state and federal laws and regulations, including but not limited to, the MBLSLA, SMLA, Consumer Mortgage Protection Act, Mortgage Lending Practices Act, Real Estate Settlement Procedures Act, National Housing Act, Truth in Lending Act, Equal Credit Opportunity Act, Fair Credit Reporting Act, Anti-Redlining Act, Home Mortgage Disclosure Act, and applicable usury laws.

8. Respondent, as CEO, Director, and sole shareholder of Private Mortgage Wholesale, Inc., shall make all filings with the Office of Financial and Insurance Services that are required to be filed on or before a certain date as prescribed by the Commissioner or applicable statute, including, but not limited to, annual reports, financial statements, and applications for renewal of license or registration.

The Commissioner specifically retains jurisdiction over the matters contained herein and has the authority to issue such further order(s) as she shall deem just, necessary and appropriate in accordance with the provisions of the MBLSLA and SMLA. Failure to abide by the terms and conditions of this Order may result in the commencement of additional proceedings.

A handwritten signature in cursive script, reading "Frances K. Wallace", written in black ink.

Frances K. Wallace  
Chief Deputy Commissioner